

**STATE OF NORTH CAROLINA
DEPARTMENT OF THE SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF:)	
)	
FRANK EDWARD CALABRO, JR.)	TEMPORARY CEASE AND DESIST ORDER
)	
Respondent.)	File No.: 18 ADM 001

The North Carolina Secretary of State (the “Administrator”), pursuant to her authority and responsibility to administer and enforce the North Carolina Securities Act (the “Securities Act”), N.C. Gen. Stat. Chapter 78A, has considered the evidence, finds that the public interest will be irreparably harmed by delay, and, therefore, enters this order to require Frank Edward Calabro, Jr. to cease and desist offering unregistered securities to the residents of North Carolina.

The North Carolina Secretary of State’s Securities Division (the “Securities Division”) has presented evidence sufficient for the Administrator to make the following findings and conclusions.

I. SUMMARY

1. The Administrator, through her Securities Division, conducted an investigation of Frank Edward Calabro, Jr. (“Calabro”) to evaluate whether he has been offering securities in compliance with the Securities Act.
2. The Securities Division found that Calabro is violating the Securities Act by:
 - a. offering investment products that are unregistered securities,
 - b. offering securities while he is not registered to do so, and
 - c. making material misstatements and omitting certain material facts when offering securities.

3. Through this Temporary Cease and Desist Order (“Order”), the Administrator orders Calabro to cease and desist from offering unregistered securities, acting as a securities dealer or salesman in North Carolina until he is registered, and engaging in fraud in connection with the offer or sale of any security.

II. FINDINGS OF FACT

1. Calabro is an adult individual residing in Guilford County, North Carolina. Calabro is not and has never been registered to sell securities in the State of North Carolina.

2. Calabro has been in the business of affiliate marketing¹ for at least the last five years.

3. As an affiliate marketer, Calabro promotes and sells investment products for commissions. He also offers training and tools to people who would like to earn money through affiliate marketing, thereby recruiting them into his downline,² and, in turn, encouraging them to recruit new affiliates who will also sell the investment products.

4. Calabro conducts these activities on the internet at his website www.PlanetMillionaire.com (the “PlanetMillionaire website”). “Frank Calabro Jr.” is the administrative name and registrant name for the PlanetMillionaire website.

¹Affiliate marketing is a service provided to businesses where someone outside the company, the affiliate, advertises and markets a company product. The affiliate is rewarded by the company based on the number of customers that the affiliate introduces to the business. The reward can, for example, be based on the number of people who view the company’s website through a link provided by the affiliate or the number of people who purchase a company’s product after viewing an advertisement on the affiliate’s website. Affiliate marketers are sales agents and are compensated by the companies whose products they sell by means of commission payments.

² Affiliate marketers also generate revenue by recruiting new affiliates into their network. This business model is referred to as “multi-level marketing.” The multi-level-marketing organizational structure is often depicted using a pyramid shape, referred to as a “matrix,” with new affiliates occupying places in “the downline.” According to a formula specified in the matrix, a portion of the commission revenue earned by new affiliates in “the downline” is paid to the person in the next highest level. The higher a person’s position in the matrix, the more people in that person’s downline, and, consequently, the greater the affiliate revenue payout.

5. Calabro has not registered Planet Millionaire as a business entity with any business registry, nor has he registered Planet Millionaire as a “Doing Business As” name.

6. On the PlanetMillionaire website, Calabro claims that “affiliate marketing is a leveraged income model that has the potential to multiply money faster than any other industry.”

7. Calabro promotes his training material on the PlanetMillionaire website by stating, “You will learn advertising strategies that can be effectively applied to any market. Learning how to monetize, train and distribute to an ever expanding global network of savvy entrepreneurs is how an average person can become insanely wealthy.”

8. Calabro promotes Planet Millionaire on YouTube and other social media channels that he maintains by explaining how he went from “rags to riches,” and offering to teach others how to “escape to the total freedom lifestyle.”



A. Calabro’s Experience as an Affiliate Marketer

9. Over the past five years, Calabro has promoted and sold various investment products, including products on behalf of Zeek Rewards and Traffic Monsoon.

10. Calabro promoted Zeek Rewards, which raised more than \$800 million from investors. The Securities and Exchange Commission (the “SEC”) determined Zeek Rewards was

an \$800 million Ponzi scheme that purported to be in the business of “private, invitation-only, affiliate advertising.”³ In 2016 and 2017, the CEO, CFO, and senior Technology Officer of Zeek Rewards were sentenced to more than 16 years in prison combined for their parts in the scheme.⁴

11. Calabro promoted Traffic Monsoon, which raised more than \$200 million from investors. The SEC froze Traffic Monsoon’s assets, describing it as “an Internet-based Ponzi scheme falsely represented to investors [as] an advertising company.”⁵

B. Calabro’s Lesson on Recognizing a Ponzi Scheme

12. In a YouTube video that he made available to members of his downline on the PlanetMillionaire website, Calabro explained how to recognize a Ponzi scheme (the “Calabro Ponzi red-flag video”).

13. Calabro stated that there are several things to look for when evaluating a scheme, including the following:

- a. “Return on investment, ROI, ... if you see any terms like that on the website, that’s like they are getting a bull horn out and saying ‘Hey! We’re a Ponzi scheme!’ ... That’s a big red flag guys.”
- b. “Fake CEOs – it’s so easy to spot. You have never heard of this person. He appeared out of nowhere.”
- c. “Typos on the website ... This, my friends, is a huge red flag ... because they don’t care about the spelling of things.”
- d. “Date on the return, like they have some set, we’ll just call it a set ROI. ... Let me just give you an example, they say something like in so many days, in 60 days, we’re gonna pay you... 120%. That’s impossible. How can you predict what you’re going to make 60 days in advance? ... You cannot guarantee someone a return down the road in a certain time frame unless it’s a Ponzi scheme.”

³ <https://www.sec.gov/news/press-release/2012-2012-160htm>

⁴ <https://www.justice.gov/usao-wdnc/pr/former-zeekrewards-ceo-sentenced-more-14-years-operating-900-million-internet-ponzi>
<https://www.justice.gov/usao-wdnc/pr/zeekrewards-former-chief-operating-officer-and-former-senior-technology-officer>

⁵ <https://www.sec.gov/litigation/litreleases/2016/lr23604.htm>

14. The image below is a screen capture from the Calabro Ponzi red-flag video.



C. Calabro’s Current Promotion

15. Calabro is currently promoting and selling investment packages and referral programs on behalf of a foreign technology company called USI-Tech Limited (“USIT”).⁶

16. USIT created two packages which it labeled the BTC 1.0 Package and the BTC 2.0 Package (collectively the “BTC Packages”).

17. Calabro promotes and sells investment packages on behalf of USIT on the PlanetMillionaire website.

⁶ See the North Carolina Securities Division Temporary Cease and Desist Order against USIT at https://www.sosnc.gov/divisions/securities/Admin_Action.

i. BTC 1.0 Package

18. The BTC 1.0 Package purports to allow investors to share in the profits created by USIT’s “fully automated trading software.”

19. Calabro represented that investors who purchase the BTC 1.0 Package would receive an average daily interest rate of 1%, Monday through Friday, for a term of 140 days.

20. Calabro presented the following image in a YouTube advertisement while describing the BTC 1.0 Package.



21. On December 20, 2017, the Texas Securities Commissioner (the “Texas Commissioner”) entered an Emergency Cease and Desist order against USIT, finding, among other things, that USIT and its affiliate marketers/sales agents were violating Texas securities laws by offering unregistered securities and acting as unregistered dealers or salesmen. The Texas Commissioner ordered USIT and the two USIT affiliate marketers residing in Texas to cease offering the USIT securities until the affiliate marketers were registered to do so and the securities were registered.⁷

22. The BTC 1.0 Package is the same investment that the Texas Securities Commissioner found to be a security and ordered USIT to cease offering in Texas.

⁷ See the Texas Cease and Desist Order at <https://www.ssb.texas.gov/news-publications/bitcoin-promoter-usi-tech-hit-emergency-order>.

23. On February 16, 2018, the Administrator entered a Temporary Cease and Desist Order against USIT, finding, among other things, that USIT and its affiliate marketers/sales agents were violating North Carolina securities laws by offering unregistered securities and acting as unregistered dealers or salesmen. The Administrator ordered USIT to cease offering the USIT securities until it was registered to do so and the securities were registered.

24. The BTC 1.0 Package is the same investment package the Administrator found to be a security and ordered USIT to cease offering in North Carolina.

25. On February 27, 2018, USIT informed its affiliates that the BTC 1.0 Package had “expired (terminated)” and that any purported, unwithdrawn profits earned by investors would be retained by USIT.

ii. BTC 2.0 Package

26. The BTC 2.0 Package was created by USIT upon the expiration of the BTC 1.0 Package.

27. The BTC 2.0 Package purports to allow investors to share in the profits created by USIT’s “mining operations.”

28. Like the BTC 1.0 Package, the BTC 2.0 Package purports to pay daily interest until the affiliate receives a 140% return.

29. On February 27, 2018, USIT claimed to have sold a “tremendous amount of [BTC 2.0] packs in the last 24 hours.”

30. On March 6, 2018, USIT informed investors that 50% of the “income from the direct sale of BTC 2.0 Package sales” will be for “repayment of obligations at 24 February 2018,” comprised of the “remaining 1.0 packages, outstanding commissions and prior wallet balances.”⁸

⁸ According to the SEC, “A Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors.”

iii. Expectation of Profit from the BTC Packages

31. Based on Calabro’s representations of the BTC Packages, investors have purchased the packages because they were given the impression that they could profit from the guaranteed returns provided by USIT’s efforts in the areas of automated trading and cryptocurrency mining.

32. The BTC Packages display many of the “red flags” associated with fraud identified by Calabro himself in the Calabro Ponzi red-flag video.

33. Further, the BTC Packages have all the hallmarks of a security, are not registered as securities in North Carolina, and are not exempt from registration.

iv. Calabro Offers the BTC Packages to the General Public

34. Calabro promotes the BTC Packages on social media, such as Facebook, and via direct targeted emails, that reach worldwide.

35. When Calabro promotes the BTC Packages, he reaches prospective investors at different landing pages on the internet and then directs them to the PlanetMillionaire website.



36. Calabro provides detailed, step-by-step instructions to prospective investors on how to convert U.S. Dollars into the Bitcoin cryptocurrency. From there, he directs the investors to USIT’s website. On the USIT website, prospective investors are encouraged to complete a

registration listing Calabro as their “sponsor” and to purchase a BTC Package with their newly-purchased Bitcoin. In this way, Calabro ensures that he will receive a commission for his referral and that the new investors become part of his downline. This sponsorship allows him to earn a commission from the sale of USIT investments to the new investor and affiliate revenue from any sales that these new investors may make as a part of his downline.

37. In his social media postings, Calabro claims to be have received significant commissions from the sales of the investment packages.

v. The Referral Program

38. Calabro is currently promoting USIT’s referral program.

39. USIT promises that investors who promote the BTC Packages can profit by “generating up to 35% commissions on 12 referral levels” through USIT’s “unique referral marketing plan” that provides “above-average commissions without any qualification barriers.”

40. USIT provides the following graphical representations of the referral program promoted by Calabro, which is comprised of 12 levels.

	BTC-PACKAGE Commission	
	Registered Partner	Agency Partner
Agency License or own forex software	Without	600 €
Direct Partner with min 12 BTC-Packages	0	3
01.Level	10%	10%
02.Level	3%	3%
03.Level		3%
04.Level		3%
05.Level		3%
06.Level		3%
07.Level		3%
08.Level		3%
09.Level		1%
10.Level		1%
11.Level		1%
12.Level		1%

41. According to the terms of USIT’s referral program, Calabro earns additional commissions when someone in Calabro’s downline sells a BTC Package to a new investor.

42. In his social media postings, Calabro claims to occupy a high position in the USIT affiliate marketing matrix and to have many people in his downline.

43. Calabro is not registered to offer or sell securities in North Carolina and, yet, he continues to sell the BTC Packages with the expectation of commissions.

44. Further, Calabro encourages others to participate in the referral program without alerting them that in order to earn commissions from the sales of the BTC Packages, they need to be registered to sell securities.

45. By encouraging others to take advantage of USIT's referral program, Calabro is encouraging those persons to act as unregistered dealers and/or salesmen in violation of the Securities Act.

D. Calabro's Conduct When Promoting the BTC Packages and the Referral Program

46. When offering the BTC Packages, Calabro fails to disclose material facts, including, but not limited to, the following:

- a. information about the assets and liabilities of USIT and any other information that indicates the means USIT will provide investors with a guaranteed daily return regardless of the value of Bitcoin;
- b. information about the automated trading software developed by USIT, details of its trading records and historical performance, proof of its existence and the risk factors associate with its use;
- c. information about USIT's mining operations, contracts and partnerships, hashrates, proof of mining activities, and the risk factors associated with cryptocurrency mining; and
- d. that the BTC Packages are securities and are not registered with the Administrator or any other governing regulator.

47. When promoting the USIT referral program, Calabro fails to disclose material facts, including, but not limited to, the following:

- a. that the BTC Packages are securities and are not registered with the Administrator or any other governing regulator;
- b. that only registered dealers or salesmen can be paid commissions for referrals or sales of securities; and
- c. that affiliates who receive commissions for their sale of USIT's BTC Packages without being properly registered are in violation of the Securities Act.

48. Calabro's conduct related to the offer of the BTC Packages and the promotion of the referral program has been willful.

E. Protection of the Public from Irreparable Harm

49. Allowing Calabro to continue his current course of conduct will allow him to continue to harm the investing public.

50. Calabro has the present ability to engage or attempt to engage in the sale of unregistered securities as an unregistered dealer or salesman in violation of N.C. Gen. Stat. §§ 78A-24 and 78A-36.

51. The solicitation of the investing public poses an immediate and significant threat of irreparable harm to the public welfare because:

- a. The securities offered have not been registered with the Securities Division. Proper registration of securities is an essential safeguard serving to provide accurate information material to enable persons to make reasoned investment decisions and to protect the public from securities fraud.
- b. Calabro is not and has never been registered as a dealer or salesman of securities. The registration of dealers and salesmen, as required by the Securities Act, ensures that persons transacting business as securities dealers and salesmen in North Carolina are competent and properly regulated and authorized to do so.
- c. Calabro has omitted material facts when offering the USIT investment packages and has made misrepresentations that make the sale of these securities particularly dangerous for the investing public.
- d. Calabro is encouraging members of the investing public to act as unregistered dealers and/or salesmen in violation of the Securities Act.

52. Prohibiting Calabro from offering unregistered securities, transacting business as an unregistered dealer or salesman, and misrepresenting the securities is in the interest of the public of North Carolina. Such a prohibition is necessary for the protection of the investing public and consistent with the purposes fairly intended by the policy and provisions of the Securities Act.

53. An immediate Order is necessary and appropriate to address the violations of the Securities Act. Delay in issuing an order under N.C. Gen. Stat. § 78A-47(b)(2) will result in irreparable harm to the public.

III. CONCLUSIONS OF LAW

1. The Administrator has jurisdiction over Calabro and the subject matter of this Order.

2. The BTC Packages are “securities” as that term is defined by N.C. Gen. Stat. § 78A-2(11).

3. Calabro is violating N.C. Gen. Stat. § 78A-24 by offering securities for sale in North Carolina that are not: (a) registered with the Administrator, (b) exempted from registration, and (c) notice filed, as would be the case with securities covered under federal law.

4. Calabro is violating N.C. Gen. Stat. § 78A-36 by offering securities while he is not registered with the Administrator.

5. Calabro is violating N.C. Gen. Stat. § 78A-8 by making material misstatements of fact, or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in connection with the offer and sale of securities in North Carolina.

6. Calabro’s conduct, acts, and practices threaten immediate and irreparable public harm.

7. It is necessary and appropriate for the protection and preservation of the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Securities Act, that Calabro be temporarily and summarily ordered to cease and desist from making offers and sales of securities in violation of the Securities Act, and to cease and desist from continuing to act as an unregistered dealer or salesman of securities.

8. The foregoing violations constitute bases for the issuance of this Order pursuant to N.C. Gen. Stat. § 78A-47(b)(2).

IV. ORDER

It is therefore ORDERED that Calabro and any person, employee, officer, director, entity, or independent contractor under Calabro's direction or control immediately CEASE AND DESIST from:

1. offering for sale any security in North Carolina until the security is registered with the Administrator or is offered for sale pursuant to an exemption from registration under the Securities Act;
2. acting as securities dealer or salesman in North Carolina until registered with the Administrator or are acting pursuant to an exemption from registration under the Securities Act;
3. making material misstatements of fact, or omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading in connection with the offer and/or sale of securities in North Carolina; and
4. violating any other provisions of the Securities Act and any administrative rules promulgated thereunder.

V. NOTICE

Calabro may request a hearing upon this matter by transmitting such request, in writing, to Kevin M. Harrington, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request is made, this matter shall be scheduled for hearing in accordance with Chapter 150B of the North Carolina General Statutes within 20 days after receipt by the Deputy Securities Administrator of the written request. If no request for hearing, other responsive pleading or submission is received by the Deputy Securities Administrator within 30 business days of the receipt of service, this Order shall become final and remain in effect unless it is modified or vacated by the Secretary of State in her capacity as Securities Administrator of the Securities Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina

Department of the Secretary of State, this the 8TH day of MARCH 2018.

Time of entry: 7:38 A.M.



ELAINE F. MARSHALL
SECRETARY OF STATE OF NORTH CAROLINA, and
SECURITIES ADMINISTRATOR

Redacted

KEVIN M. HARRINGTON
Deputy Securities Administrator